
STEPSTONES FOR YOUTH

FINANCIAL STATEMENTS

DECEMBER 31, 2025

INDEPENDENT AUDITOR'S REPORT

To the Members of StepStones for Youth,

Opinion

We have audited the financial statements of StepStones for Youth (the organization), which comprise the statement of financial position as at December 31, 2025, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of StepStones for Youth as at December 31, 2025 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw your attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Pennylegion Chung LLP

Chartered Professional Accountants
Licensed Public Accountants

July 2, 2026
Toronto, Ontario

STEPSTONES FOR YOUTH

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2025

	2025	2024
ASSETS		
Current assets		
Cash	\$ 1,792,263	\$ 191,951
Guaranteed investment certificates (note 3)	609,450	1,256,433
Amounts receivable	84,612	67,447
HST rebate recoverable	146,559	25,713
Prepaid expenses	<u>21,891</u>	<u>14,987</u>
	2,654,775	1,556,531
Long-term assets		
Capital assets (note 4)	<u>4,946,475</u>	<u>100,000</u>
	<u>\$ 7,601,250</u>	<u>\$ 1,656,531</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 159,142	\$ 66,314
HST payable	162,338	-
Deferred contributions (note 7)	<u>1,075,137</u>	<u>184,524</u>
	1,396,617	250,838
Long-term liabilities		
Loan payable (note 6)	2,000,000	-
Deferred capital contributions	<u>2,375,037</u>	<u>-</u>
	<u>5,771,654</u>	<u>250,838</u>
Net assets		
Invested in capital assets	571,438	100,000
Designated (note 8)	1,200,000	1,017,500
Unrestricted	<u>58,158</u>	<u>288,193</u>
	<u>1,829,596</u>	<u>1,405,693</u>
	<u>\$ 7,601,250</u>	<u>\$ 1,656,531</u>

Approved on behalf of the Board:


_____, Director


_____, Director

see accompanying notes

STEPSTONES FOR YOUTH

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2025

	2025	2024
REVENUE		
Contributions		
Governments	\$ 1,059,544	\$ 721,195
Foundations	1,022,278	1,106,551
Individuals	414,304	182,650
Corporations	339,080	572,192
Capital contributions recognized	60,900	-
Rental	99,795	-
Interest	20,421	66,800
Fundraising events	-	111,372
	<u>3,016,322</u>	<u>2,760,760</u>
EXPENSES (see notes 9 and 10)		
Personnel	1,725,906	1,776,580
Program	391,231	616,886
Fundraising	202,145	199,577
Professional fees	69,274	109,025
Property costs	49,033	-
Office and general	43,487	27,835
Insurance	12,909	12,919
Communications	8,334	25,359
Amortization	90,100	-
	<u>2,592,419</u>	<u>2,768,181</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	423,903	(7,421)
Net assets, beginning of year	<u>1,405,693</u>	<u>1,413,114</u>
NET ASSETS, END OF YEAR	<u>\$ 1,829,596</u>	<u>\$ 1,405,693</u>

see accompanying notes

STEPSTONES FOR YOUTH

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2025

	2025	2024
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 423,903	\$ (7,421)
Add back (deduct) non-cash items-		
Amortization of capital assets	90,100	-
Capital contributions recognized	(60,900)	-
Net change in non-cash working capital items (see below)	<u>1,000,864</u>	<u>(343,883)</u>
Net cash generated from (used for) operating activities	<u>1,453,967</u>	<u>(351,304)</u>
INVESTING ACTIVITIES		
Guaranteed investment certificates redeemed (purchased)	646,983	(221,136)
Purchase of capital assets	<u>(4,936,575)</u>	<u>(100,000)</u>
Net cash used for investing activities	<u>(4,289,592)</u>	<u>(321,136)</u>
FINANCING ACTIVITIES		
Proceeds from loan	2,000,000	-
Capital contributions received	<u>2,435,937</u>	<u>-</u>
Net cash generated from financing activities	<u>4,435,937</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH FOR THE YEAR	1,600,312	(672,440)
Cash, beginning of year	<u>191,951</u>	<u>864,391</u>
CASH, END OF YEAR	<u><u>\$ 1,792,263</u></u>	<u><u>\$ 191,951</u></u>

Net change in non-cash working capital items:

Decrease (increase) in current assets-		
Amounts receivable	\$ (17,165)	\$ (64,311)
HST rebate recoverable	(120,846)	(7,498)
Prepaid expenses	(6,904)	47,868
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	92,828	(29,286)
HST payable	162,338	-
Deferred contributions	<u>890,613</u>	<u>(290,656)</u>
	<u><u>\$ 1,000,864</u></u>	<u><u>\$ (343,883)</u></u>

see accompanying notes

STEPSTONES FOR YOUTH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025

StepStones for Youth (the organization) is incorporated without share capital in the Province of Ontario and was continued under the Canada Not-for-Profit Corporations Act on February 12, 2025. The organization is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada).

The organization helps unlock the potential of vulnerable children and youth who have experienced trauma and abuse and are living in poverty, many of whom are from foster care and child welfare system. The organization's prevention and intervention services result in education success, secure employment, safe and stable housing, positive connections, and long-lasting support networks which reduce isolation, homelessness, criminal involvement, adverse physical and mental health, and long-term dependency on social services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant:

Revenue recognition

The principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

Contributions

The organization follows the deferral method of revenue recognition for contributions. Externally restricted contributions, including grants and restricted donations, related to current expenses are recognized as revenue in the current year. Externally restricted contributions received in the year for expenses to be incurred in the following year are recorded as deferred contributions. Unrestricted contributions, including donations and amounts received from fundraising, are recorded when received. Capital contributions are recorded as revenue in the same period, and on the same basis, as the related capital assets are amortized. Contributed materials and services which are normally purchased by the organization are not recorded in the accounts.

Rental revenue

Rental revenue is recognized when services are delivered.

Interest income

Interest income is recognized as revenue when earned.

Capital assets

Capital asset purchases are recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Building	- 40 years, straight-line
Building improvements	- range of 5 to 40 years, on a straight-line basis

Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses. Specifically, significant assumptions have been made in arriving at useful life of the capital assets. Estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they become known.

STEPSTONES FOR YOUTH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025

2. FINANCIAL INSTRUMENTS

The organization's financial instruments include cash, guaranteed investment certificates, amounts receivable, accounts payable and accrued liabilities and long-term loan payable. Amounts receivable, accounts payable and accrued liabilities and long-term loan payable are initially recorded at fair value and are subsequently recorded net of any provisions for impairment in value. Guaranteed investment certificates are recorded at cost plus accrued interest, which approximates fair value.

3. GUARANTEED INVESTMENT CERTIFICATES

Guaranteed investment certificates are issued and held by a major Canadian chartered bank, bear interest at approximately 2.70% and mature in May 2026.

4. CAPITAL ASSETS

Capital assets are as follows:

	Cost	Accumulated Amortization	2025 Net	2024 Net
Land	\$ 1,201,650	\$	\$ 1,201,650	\$ -
Building	3,604,949	(90,100)	3,514,849	100,000
Building improvements *	<u>229,976</u>	<u>-</u>	<u>229,976</u>	<u>-</u>
	<u>\$ 5,036,575</u>	<u>\$ (90,100)</u>	<u>\$ 4,946,475</u>	<u>\$ 100,000</u>

* Building improvements will be amortized when completed and available for use.

5. CREDIT FACILITY

The organization has a \$15,000 unsecured operating line of credit with the bank, which bears interest at the bank's prime rate plus 2.10% per annum. None of the line of credit was used at year end (\$nil as at December 30, 2024).

6. LOAN PAYABLE

During the year, the organization received a \$2,000,000 loan to assist with the purchase of land and a building (the Property) at 1284 Bloor Street West, Toronto. The loan is secured with a second charge, registered against title to the property. The loan bears no interest and no payments toward the principal amount of the loan are required until the expiration of the 'Initial Term', which is January 29, 2035. Upon expiration of the Initial Term, the lender, at its sole discretion, may extend the term of the loan to January 29, 2040 (the First Extension Term), and then again to January 29, 2045 (the Second Extension Term). Upon expiration of the Second Extension Term, the lender may, at its sole option and full discretion, forgive the entire amount of the loan.

STEPSTONES FOR YOUTH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025

7. DEFERRED CONTRIBUTIONS

Continuity of deferred contributions for the year is as follows:

	2025	2024
Deferred contributions, beginning of year	\$ 184,524	\$ 475,180
Add cash received from contributions	3,725,819	2,291,932
Less contribution revenue recognized	<u>(2,835,206)</u>	<u>(2,582,588)</u>
Deferred contribution, end of year	<u>\$ 1,075,137</u>	<u>\$ 184,524</u>

8. DESIGNATED NET ASSETS

The Board of Directors has designated net assets of \$1,200,000 as at December 31, 2025 to provide continued funding for operations and to ensure financial stability (\$1,017,500 designated as at December 31, 2024). It is the Board's goal to maintain a designated net asset balance of approximately four months of operating expenses. The use of designated net assets requires the Board of Directors' approval.

9. DIRECT PROGRAM EXPENSES

Included in the Statement of Operations are the following direct program expenses, by type:

	2025	2024
Personnel	\$ 1,532,497	\$ 1,587,750
Program	<u>391,231</u>	<u>616,886</u>
	<u>\$ 1,923,728</u>	<u>\$ 2,204,636</u>

Direct program expenses are for the following purposes:

Youth Support Services	\$ 1,921,232	\$ 2,204,636
Camp	<u>2,496</u>	<u>-</u>
	<u>\$ 1,923,728</u>	<u>\$ 2,204,636</u>

10. ADMINISTRATIVE AND INDIRECT PROGRAM EXPENSES

Included in the Statement of Operations are the following administrative and indirect program expenses:

	2025	2024
Personnel	\$ 193,409	\$ 188,831
Professional fees	69,274	109,025
Office and general	43,486	27,834
Insurance	12,909	12,919
Communications	<u>8,334</u>	<u>25,359</u>
	<u>\$ 327,412</u>	<u>\$ 363,968</u>